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CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

NOV 1954

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

SUBJECT: Reactions to US Courses of Action with Respect to Nationalist China (as described in paras. 1-3, pp. 4-7, of memorandum considered by the Council on 25 October)

There follows an estimate of Communist and non-Communist reactions to certain proposed US courses of action with respect to Nationalist China. Pursuant to conversations between the Secretary and Under Secretary of State and the Director, this estimate has been prepared within CIA without consultation with the members of the Intelligence Advisory Committee.

ASSUMPTIONS

1. The Mutual Defense Treaty will be negotiated regardless of UN Security Council action on the off-shore islands.
2. The US intent to negotiate a Mutual Defense Treaty with Nationalist China will be announced before or simultaneously with the introduction of the resolution in the Security Council.

E/R cy

Chinese Communists would continue minor harassments, they would probably not take courses of action that clearly contravened the spirit of the resolution.

b. In the unlikely event that a resolution were adopted not covering a territorial settlement for the islands, we believe that the chances of Chinese Communist breach of the resolution would be increased.

c. If no resolution were adopted and if the Communists came to believe that the US would not support the defense of the islands with its own forces, the Chinese Communists would, sooner or later, assault the off-shore islands which cannot successfully be defended by Chinese Nationalist forces alone.\* The USSR might, for a period of several months at least, try to persuade the Chinese Communists not to take such action. However, unless the Chinese Communists were convinced that the US would participate in defense of the islands, they would probably proceed to attack them.

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\* This estimate was made in SNIE 100-4/1-54, "The Situation with Respect to the Nationalist Occupied Islands off the Coast of Mainland China", published 10 September 1954.

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MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

SUBJECT: Reactions to US Courses of Action with Respect to Nationalist China (as described in paras. 1-3, pp. 4-7, of memorandum considered by the Council on 28 October)

There follows an estimate of Communist and non-Communist reactions to certain proposed US courses of action with respect to Nationalist China. Pursuant to conversations between the Secretary and Under Secretary of State and the Director, this estimate has been prepared within CIA without consultation with the members of the Intelligence Advisory Committee.

ASSUMPTIONS

1. The Mutual Defense Treaty will be negotiated regardless of UN Security Council action on the off-shore islands.
2. The US intent to negotiate a Mutual Defense Treaty with Nationalist China will be announced before or simultaneously with the introduction of the resolution in the Security Council.

E/R cy

3. The Nationalist government has given its approval to the Security Council resolution and the geographic limitations inherent in the Defense Treaty.

ESTIMATE

I. UN ACTION ON THE RESOLUTION

1. Most non-Communist countries would probably approve of the proposal that the UN be seized of the problem of the off-shore islands.

2. The Chinese Communists feel strongly that the off-shore islands are an integral part of Peiping's territory and would be reluctant to have the question of their disposition dealt with by the UN. Nevertheless, we believe that the USSR will not veto the Resolution out of hand, though this may result in some strain in Sino-Soviet relations. Rather we believe the USSR will introduce or support expansion of the Resolution to provide for an immediate or eventual territorial settlement covering the off-shore islands and possibly Formosa as well. Unless the Resolution is changed to cover such a settlement for the islands, the USSR will almost certainly exercise its veto. If the Resolution were to cover a settlement for the off-shore

islands but not for Formosa, we believe the chances of a Soviet veto would be substantial but less than even.

## II. THE COMMUNIST REACTION

3. Communist China and the USSR would vigorously denounce the Treaty. Although we believe that the Communists will maintain their basic objective of gaining control over Formosa, they would probably attempt to obtain control through subversion rather than through military action. As for the UN Resolution, we do not believe that either its adoption or rejection will significantly affect Communist policy toward Formosa.

4. We believe that the Chinese Communists would not attack the off-shore islands while the Resolution was pending, provided that the period of discussion did not exceed, say, 30 days. They would be deterred from such action by fear of a strong adverse worldwide reaction and by uncertainty as to US reaction. Thereafter:

a. If a resolution were adopted covering territorial settlement for the islands, we believe that, although the

Chinese Communists would continue minor harassments, they would probably not take courses of action that clearly contravened the spirit of the resolution.

b. In the unlikely event that a resolution were adopted not covering a territorial settlement for the islands, we believe that the chances of Chinese Communist breach of the resolution would be increased.

c. If no resolution were adopted and if the Communists came to believe that the US would not support the defense of the islands with its own forces, the Chinese Communists would, sooner or later, assault the off-shore islands which cannot successfully be defended by Chinese Nationalist forces alone.\* The USSR might, for a period of several months at least, try to persuade the Chinese Communists not to take such action. However, unless the Chinese Communists were convinced that the US would participate in defense of the islands, they would probably proceed to attack them.

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\* This estimate was made in SHIE 100-4/1-54, "The Situation with Respect to the Nationalist Occupied Islands off the Coast of Mainland China", published 10 September 1954.

5. The Chinese Communists would probably estimate that the Treaty (with or without the Resolution) did not significantly alter the balance of power situation in the Formosa area. Hence the Treaty would be unlikely to bring about a major redeployment of their armed forces or any significant change in their courses of action elsewhere in Asia.

### III. NON-COMMUNIST REACTION

6. The non-Communist world would generally receive the Treaty with qualified approval. Although most peoples and governments have little sympathy with the Chiang regime, and would regret the formal perpetuation of the US commitment, approval will be generally forthcoming, if the defensive character of the Treaty and particularly the restraints on Chinese Nationalist action can be well established. In these circumstances, the Treaty, together with US support of UN action on the off-shore islands, will be regarded as a welcome indication that the US is not bent on policies involving considerable risk of war. It will seem a contribution to the current relaxation of East-West tensions.

7. To South Korea, the new US policy will be unwelcome because it will indicate an end of the chances of strong US

pressure on Communist China. To India, on the other hand, the Treaty with Chiang will appear as further evidence of US imperialistic interference in Asian affairs. Non-Communist Southeast Asia might interpret the restraints on the Nationalists as indicating a weakening of US determination to resist Communism, but we believe that the importance of this factor would depend primarily on subsequent US policies in this area.

8. The Overseas Chinese have been increasingly looking to the Communist Chinese rather than the Nationalists as the effective power in China. The Treaty would tend to increase this trend. However, whether the Overseas Chinese become an increasing source of instability will depend far more on the policy of the local governments toward them.

9. By virtually ending the possibility of Chiang's "return to the mainland", the Treaty would tend to undermine the guiding principle and the chief inspiration of Chiang's regime. Readjustment would be difficult. Possibilities for Communist subversion on Formosa would be increased. Developments on the island would depend greatly on the nature of US policy toward the Formosa government under the new circumstances.

AD/NE:Dr Kent (1 Nov 54)

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